

# Audit



# Report

OFFICE OF THE INSPECTOR GENERAL

CONSOLIDATED FINANCIAL REPORT ON THE  
NATIONAL GUARD AND RESERVE EQUIPMENT  
APPROPRIATION FOR THE ARMY RESERVE

Report No. 97-025

November 19, 1996

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Department of Defense

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### **Acronyms**

DFAS	Defense Finance and Accounting Service
GLARS	General Ledger Accounting and Reporting System
GLDB	General Ledger Data Base
NGREA	National Guard and Reserve Equipment Appropriation



**INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202-2884**



November 19, 1996

**MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING  
SERVICE  
AUDITOR GENERAL, DEPARTMENT OF THE ARMY**

**SUBJECT: Audit Report on the Consolidated Financial Report on the National Guard  
and Reserve Equipment Appropriation for the Army Reserve  
(Report No. 97-025)**

We are providing this audit report for information and use. We performed the audit in response to the Chief Financial Officers Act of 1990 and the Federal Financial Management Act of 1994. We considered comments on a draft of this report in preparing the final report.

Comments on a draft of this report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, no additional comments are required.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Ms. Mary Lu Ugone, Audit Program Director, at (703) 604-9529 (DSN 664-9529) or Ms. Dianna J. Pearson, Audit Project Manager, at (703) 604-9576 (DSN 664-9576). See Appendix C for the report distribution. The audit team members are listed inside the back cover.

*David K. Steensma*

David K. Steensma  
Deputy Assistant Inspector General  
for Auditing

## **Office of the Inspector General, DoD**

**Report No. 97-025**  
(Project No. 6RE-2016)

**November 19, 1996**

### **Consolidated Financial Report on the National Guard and Reserve Equipment Appropriation for the Army Reserve**

#### **Executive Summary**

**Introduction.** The audit was performed in compliance with the Chief Financial Officers Act of 1990 (Public Law 101-576) and the Federal Financial Management Act of 1994 (Public Law 103-356). Public Law 103-356 requires DoD and other Government agencies to prepare consolidated financial statements for FY 1996 and each succeeding year. In a memorandum dated June 6, 1995, the DoD Deputy Chief Financial Officer advised DoD Components of the requirement to prepare and submit financial statements in accordance with the Federal Financial Management Act of 1994.

In 1981, Congress established the National Guard and Reserve Equipment Appropriation to provide the equipment needed to maintain the readiness of the National Guard and Reserve units. This appropriation is known within Army as the Dedicated Procurement Program.

The Office of the Under Secretary of Defense (Comptroller) allocates the National Guard and Reserve Equipment Appropriation to the National Guard and Reserve components. In FY 1995, the National Guard and the Reserve received \$773.4 million.

**Objectives.** The audit objective was to evaluate the financial information reported for the FY 1995 Army Reserve trial balance for the National Guard and Reserve Equipment Appropriation. We also determined the effect of any noncompliant actions on the FY 1996 financial statements. In addition, we assessed the internal controls and compliance with laws and regulations.

**Audit Results.** The Defense Finance and Accounting Service Indianapolis Center omitted pertinent financial information in preparing the FY 1995 Army Reserve trial balance for the National Guard and Reserve Equipment Appropriation. As a result, the expenses on the FY 1995 trial balance are understated and equity on the FY 1996 financial statements will be overstated by \$70.1 million.

**Summary of Recommendations.** We recommend that the Director, Defense Finance and Accounting Service Indianapolis Center, include all valid limitation codes for the Army Reserve in the general ledger data base extraction program, establish management controls to verify the completeness of information extracted for financial statements, and adjust the appropriated capital account by \$70.1 million on the Army reserve FY 1996 trial balance for the National Guard and Reserve Equipment Appropriation.

**Management Comments.** The Defense Finance and Accounting Service Indianapolis Center agreed to include all valid limitation codes for the Army Reserve in the general ledger data base extraction program and to establish management controls to ensure the completeness of the information extracted for the financial statements. The Defense Finance and Accounting Service Indianapolis Center partially concurred with the recommendation to adjust the appropriated capital account by \$70.1 million. The inclusion of all the valid limitation codes will eliminate the need to adjust the appropriated capital account by \$70.1 million. See Part I for a summary of management comments and Part III for the complete text of the comments.

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## **Part I - Audit Results**

### Audit Background

The audit was performed in response to the Chief Financial Officers Act of 1990 (Public Law 101-576), which established requirements for Federal organizations to submit audited financial statements to the Director, Office of Management and Budget. Public Law 103-356, "The Federal Financial Management Act of 1994," requires DoD and other Government agencies to prepare consolidated financial statements for FY 1996 and each succeeding year. The consolidated DoD financial statements for FY 1996 will include the financial statement for a reporting entity, entitled "Other Defense Organizations." The "Other Defense Organizations" entity includes the financial statements for that portion of the Department 97<sup>1</sup> funds, including the National Guard and Reserve Equipment Appropriation (NGREA), allocated to the Military Departments.

**NGREA Function.** In 1981, Congress established the NGREA to provide the equipment needed to maintain the readiness of the National Guard and Reserve units. The appropriation is known within the Army as the Dedicated Procurement Program.

The Office of the Under Secretary of Defense (Comptroller) allocates the NGREA to National Guard and Reserve components. The NGREA is a multi-year appropriation, normally available for obligation for 3 fiscal years.

The National Guard and the Reserve consist of the following six Components:

- o Army National Guard,
- o Air National Guard,
- o Army Reserve,
- o Navy Reserve,
- o Air Force Reserve, and
- o Marine Corps Reserve.

The National Guard and the Reserve received \$766 million in FY 1996, \$773.4 million in FY 1995, and \$1.2 billion in FY 1994. Table 1 shows the breakdown of the amounts Guard and Reserve Components received.

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<sup>1</sup>The Department of Treasury uses department code "97" to identify appropriations for the Office of the Secretary of Defense. The Military Departments receive Department 97 appropriations, including the National Guard and Reserve and Equipment Appropriation.



**Table 1. Funding for National Guard and Reserve Components**

<u>Component</u>	<u>FY 1996 (thousands)</u>	<u>FY 1995 (thousands)</u>	<u>FY 1994 (thousands)</u>
National Guard			
Army	\$100,000	\$120,896	\$193,502
Air	<u>260,400</u>	<u>245,051</u>	<u>339,900</u>
<b>Subtotal</b>	<b>360,400</b>	<b>365,947</b>	<b>533,402</b>
Reserve			
Army	\$ 90,000	\$132,965	\$126,250
Navy	40,000	107,913	146,700
Air Force	175,600	90,932	241,700
Marine Corps	<u>100,000</u>	<u>75,682</u>	<u>120,280</u>
<b>Subtotal</b>	<b>405,600</b>	<b>407,492</b>	<b>634,930</b>
<b>Total</b>	<b>\$766,000</b>	<b>\$ 773,439</b>	<b>\$1,168,332</b>

**The Office of the Chief, Army Reserve.** The Office of the Chief, Army Reserve, manages the Army Reserve portion of the NGREA. The Office of the Chief, Army Reserve, receives funds directly from the Office of the Under Secretary of Defense (Comptroller). The Office of the Chief, Army Reserve, also holds dual positions of the Deputy Commanding General for Reserve Forces within Forces Command, and Commanding General, United States Army Reserve Command.

**Financial Reporting for Appropriations.** Fiscal stations<sup>2</sup> prepare general ledger trial balances for each appropriation and submit monthly general ledger trial balances to the Defense Finance and Accounting Service (DFAS) Indianapolis Center. The trial balances can be submitted electronically, on diskette, or hard copy. The DFAS Indianapolis Center performs edit checks on the general ledger trial balances to verify the validity and completeness of the general ledger trial balance. If errors are detected, the DFAS Indianapolis Center reports the errors to the fiscal stations for correction. Upon completion of the edit checks and acceptance of the financial data reported by the fiscal stations, the DFAS Indianapolis Center stores the financial data in the General Ledger Accounting and Reporting System (GLARS), which is a data base of financial data reported by the fiscal stations.

**Extraction of Data for Financial Reporting.** The general ledger trial balances, which are contained in the GLARS data base, include financial data for each appropriation. To obtain the data necessary for financial reporting requirements, the DFAS Indianapolis Center develops a software program to identify the financial data that will be extracted from the data base.

<sup>2</sup>Fiscal stations are finance and accounting offices.

## **Audit Results**

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### **Audit Objectives**

The audit objective was to evaluate the financial information reported for the FY 1995 Army Reserve trial balance for the NGREA. We also determined the effect of any noncompliant actions on the FY 1996 financial statements. In addition, we assessed the internal controls and compliance with laws and regulations. See Appendix A for a discussion of the audit scope and methodology and the review of the management control program.

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## **Army Reserve Trial Balance for the National Guard and Reserve Equipment Appropriation**

The Army Reserve provided general ledger data to accounting personnel at the DFAS Indianapolis Center. However, the DFAS Indianapolis Center personnel omitted pertinent financial information in preparing the FY 1995 Army Reserve trial balance for the NGREA. Data were omitted because the DFAS Indianapolis Center did not include the necessary codes in the computer program to extract all Army Reserve financial data for the NGREA. As a result, expenses on the FY 1995 trial balance are understated and, on the FY 1996 financial statements, equity will be overstated by \$70.1 million.

### **Financial Reporting Process**

**Army Reserve Fiscal Stations.** The Army Reserve has two fiscal stations, the U.S. Army Military District of Washington and the Defense Accounting Office, St. Louis, that report general ledger trial balances to the DFAS Indianapolis Center for the Army Reserve portion of the NGREA. For FY 1995, the U.S. Army Military District of Washington reported FYs 1988 through 1993 general ledger trial balances and the Defense Accounting Office, St. Louis, reported FYs 1994 and 1995 general ledger trial balances.

**General Ledger Data Base.** The GLARS at the DFAS Indianapolis Center receives and processes general ledger trial balances submitted by fiscal stations. The general ledger trial balances are stored in the General Ledger Data Base (GLDB). The GLDB is part of the GLARS.

**Trial Balances Preparation.** For FY 1995, the DFAS Indianapolis Center developed a computer program to extract specific information from the GLDB. The DFAS Indianapolis Center then used that information to prepare the FY 1995 trial balance for the NGREA.

**Reporting Requirements.** The DFAS Indianapolis Center Manual 7097.01, "Departmental Reporting Manual for Office of the Secretary of Defense (Department 97) Appropriations," (the Manual) September 1995, provides reporting requirements for Department of the Treasury Department 97 appropriations. The NGREA is a Department 97 appropriation. The Manual also provides report formats, descriptions of data elements, and limitation codes to be used in the financial reports for FY 1995 and prior years. The limitation codes are established by the Department of the Treasury and identify subdivisions of funds that restrict the use of the fund for a specific purpose. The DFAS Indianapolis Center uses the limitation codes to identify the Military Department that receives and uses NGREA funds. According to the Manual, the NGREA is used for the purchase of aircraft, missiles, tracked combat

## Army Reserve Trial Balance for the National Guard and Reserve Equipment Appropriation

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vehicles, ammunition, other weapons, and other procurements for the Reserve components. The Manual identifies the valid limitation codes by fiscal year. The limitation codes established for the Military Departments are shown in Table 2.

**Table 2. National Guard and Reserve Equipment Appropriation  
Limitation Codes for FYs 1989 through 1996**

<u>Military Organization</u>	<u>Limitation Code</u>
Army Reserve	0101
Army National Guard	0102
Air Force Reserve	0201
Air National Guard	0202
Navy Reserve	0401
Marine Corps Reserve	0501

Instead of using the limitation codes the Department of the Treasury established, DoD Components and Defense agencies continue to use their own internal coding structure. For example, the Army Reserve used 0132 for FYs 1988 through 1991 and has used 3201 since 1992. To consolidate financial information for the NGREA, the DFAS Indianapolis Center converts the codes the Army Reserve used to limitation code 0101.

**The Fund Edit Table.** The fund edit table lists all valid limitation codes the Military Departments and Defense agencies use for appropriations and is based on input from the Military Departments and Defense agencies. The DFAS Indianapolis Center used the fund edit table in developing the computer program to extract general ledger trial balances from the GLDB. The fund edit table showed that the limitation code the Army Reserve used for FYs 1992 through 1995 was a valid code.

## Extraction Program

**Limitation Codes.** The extraction program the DFAS Indianapolis Center developed to select general ledger trial balances from the GLDB did not include the valid limitation codes for the FY 1995 Army Reserve trial balance for the NGREA. For FY 1995, the Army Reserve used limitation code 0132 for FYs 1988 through 1991 and limitation code 3201 for FYs 1992 through 1995 for the NGREA. However, the extraction program that DFAS Indianapolis Center developed erroneously omitted limitation code 3201. Therefore, crucial financial information needed for the general ledger trial balances for FYs 1992 through 1995 were not included in the FY 1995 Army Reserve trial balance for the NGREA.

**Expense Data Extracted.** The extraction program selected the required financial information for the Army Reserve for FYs 1988 through 1991 but did

## Army Reserve Trial Balance for the National Guard and Reserve Equipment Appropriation

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not select complete information for FYs 1992 through 1995. For FY 1995, the total expenses reported for the Army Reserve for all fiscal years showed a credit balance of \$5.3 million. However, the total expenses for FY 1995 should have been reported as \$64.8 million. Because the DFAS Indianapolis Center did not extract expense data for FYs 1992 through 1995, expenses reported for the FY 1995 Army Reserve trial balance for NGREA were erroneously omitted and expenses were understated by \$70.1 million. Table 3 shows the dollar amounts of expenses by fiscal year that were either extracted or omitted from the Army Reserve trial balance.

**Table 3. Expenses Either Extracted or Omitted From  
the Army Reserve FY 1995 Trial Balance**

<u>FY</u>	<u>Extracted</u>	<u>Omitted</u>
1988	\$ 1,406,208	
1989	628,372	
1990	(2,422,386)*	
1991	(4,928,896)*	
1992		\$24,954,188
1993		19,905,003
1994		24,088,952
1995		1,182,443
<b>Total</b>	<b>\$(5,316,702)</b>	<b>\$70,130,586</b>

\*Represents a correction the Army Reserve made.

The expense account normally has a debit balance. However, based on the data extracted, the Army Reserve FY 1995 trial balance inappropriately showed a credit balance of \$5.3 million. If the Army Reserve FY 1995 trial balance had included the \$70.1 million in expenses, the expense account would have shown a debit balance of \$64.8 million.

**Quality Checks of Data Extracted.** The DFAS Indianapolis Center performs edit checks of the financial information extracted from the general ledger data base. Although the edit checks reconcile the extracted dollar amounts with the reported dollar amounts, the edit checks do not verify the completeness of data extracted. Appendix A discusses this material management control weakness in more detail.

### Adjustments to Trial Balances

**Adjustments by the DFAS Indianapolis Center.** The DFAS Indianapolis Center makes end of the year adjustments to the general ledger trial balances that are extracted from the GLDB. For example, the DFAS Indianapolis Center

## **Army Reserve Trial Balance for the National Guard and Reserve Equipment Appropriation**

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adjusts the transfer in from others without reimbursement account by the amount of expenses incurred during the fiscal year. To adjust the transfer in from others without reimbursement account by the amount of expenses incurred for the fiscal year, the following entry should be made.

(Debit) 3220 Transfer in From Others Without Reimbursement  
(Credit) 5700 Appropriated Capital Used

This adjustment represents amounts recorded on the Army Reserve general ledger for assets transferred to a DoD Component without reimbursement. This adjusting entry offsets the appropriated capital account that was established when the Army Reserve received the NGREA. The entry made upon receipt of the annual appropriation is shown below.

(Debit) 1013 Fund Balance with Treasury  
(Credit) 3100 Appropriated Capital

**Adjustment to Transfer in From Others Without Reimbursement Account.** Because the DFAS Indianapolis Center did not extract the \$70.1 million in expense data from the data base, the DFAS Indianapolis Center did not make adjustments to the transfer in from others without reimbursement and the appropriated capital used accounts. Therefore, for FY 1995, the Army Reserve equity balance is overstated by \$70.1 million.

## **Recommendations, Management Comments, and Audit Response**

**We recommend that the Director, Defense Finance and Accounting Service Indianapolis Center:**

- 1. Include all valid limitation codes for the Army Reserve in the extraction program for the National Guard and Reserve Equipment Appropriation.**
- 2. Establish management controls to verify the completeness of financial information extracted from the general ledger data base.**
- 3. Adjust the appropriated capital account on the FY 1996 trial balance for the Army Reserve National Guard and Reserve Equipment Appropriation by \$70.1 million.**

**Management Comments.** The Defense Finance and Accounting Service Indianapolis Center agreed to include all valid limitation codes for the Army Reserve in the general ledger data base extraction program and to establish management controls to ensure the completeness of the information extracted for the financial statements. The Defense Finance and Accounting Service Indianapolis Center partially concurred with the recommendation to adjust the

**Army Reserve Trial Balance for the National Guard  
and Reserve Equipment Appropriation**

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appropriated capital account by \$70.1 million. The inclusion of all the valid limitation codes will eliminate the need to adjust the appropriated capital account by \$70.1 million.

**Audit Response.** The Defense Finance and Accounting Service Indianapolis Center comments are responsive to the recommendations. If all the valid limitation codes for the Army Reserve are included in the general ledger data base extraction program, an adjustment to the appropriated capital account is not necessary.

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## **Part II - Additional Information**

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## Appendix A. Audit Process

### Scope and Methodology

**Scope.** We reviewed the FY 1995 Army Reserve trial balance for the National Guard and Reserve Equipment Appropriation (NGREA). The audit was performed in response to the Chief Financial Officers Act of 1990 (Public Law 101-576), which established requirements for Federal organizations to submit audited financial statements to the Director, Office of Management and Budget.

**Methodology.** We reviewed the process the DFAS Indianapolis Center used to receive and consolidate the general ledger trial balances submitted by the Army Reserve's two fiscal stations, the U.S. Army Military District of Washington and the Defense Accounting Office, St. Louis, for the Army Reserve portion of the NGREA. We tracked general ledger account balances from the fiscal stations' records to the FY 1995 Army Reserve trial balance for the NGREA. In addition, we looked at the process the DFAS Indianapolis Center uses to prepare the general ledger trial balances for the financial statements. Specifically, we looked at the process the DFAS Indianapolis Center used to extract the necessary general ledger trial balances from the General Ledger Data Base (GLDB).

**Use of Computer-Processed Data.** We relied on computer-processed data without confirming the reliability of the data. We did not establish the reliability of the data because we evaluated the process the DFAS Indianapolis Center used to consolidate the trial balances submitted by the fiscal stations. Therefore, not establishing the reliability of the financial data did not materially affect the results of our audit.

**Audit Period, Standards and Locations.** We performed this financial-related audit from March through July 1996 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD. Accordingly, we included such tests of management controls considered necessary. Appendix B lists the organizations we visited or contacted.

**Prior Audits and Other Reviews.** No prior audits or other reviews on the financial data have been completed for the Army Reserve NGREA in the last 5 years.

## Management Control Program

DoD Directive 5010.38, "Internal Management Control Program," April 14, 1987,<sup>3</sup> requires each DoD organization to implement a comprehensive system of management controls that provide reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

**Scope of the Review of the Management Control Program.** We evaluated management controls over the process the DFAS Indianapolis Center used to extract data from the general ledger data base. Specifically, we reviewed the process the DFAS Indianapolis Center used to extract data for the FY 1995 Army Reserve trial balance for the NAREA.

**Adequacy of Management Controls.** We identified a material management control weakness as defined by DoD Directive 5010.38 for the DFAS Indianapolis Center. The DFAS Indianapolis Center management controls for the extraction of general ledger trial balances from the general ledger data base was not sufficient to ensure the inclusion of all necessary general ledger trial balances for the financial statements for the Army Reserve. The DFAS Indianapolis Center performed edit checks only on the trial balances extracted from the GLDB. The DFAS Indianapolis Center did not perform any edit checks on the completeness of the general ledger trial balances extracted from the general ledger data base. Recommendation 2., if implemented, will correct the deficiency.

**Adequacy of Management's Self-Evaluation.** Management's self-evaluation was not adequate to detect and report the material management control weakness related to data extraction. The DFAS Indianapolis Center did not identify the extraction of general ledger trial balances from the GLDB as an assessable unit in the management control program.

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<sup>3</sup>As of August 6, 1996, DoD Directive 5010.38 was updated. The new title is "Management Control (MC) Program."

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## **Appendix B. Organizations Visited or Contacted**

### **Office of the Secretary of Defense**

Under Secretary of Defense (Comptroller), Washington, DC

### **Department of the Army**

Office of the Assistant Secretary of the Army (Financial Management and  
Comptroller), Washington, DC

Office of the Chief, Army Reserve, Washington, DC

United States Army Reserve Command, Atlanta, GA

Army Materiel Command, Alexandria, VA

Military District of Washington, Alexandria, VA

Auditor General, Department of the Army, Washington, DC

### **Other Defense Organizations**

Defense Finance and Accounting Service, Arlington, VA

Defense Finance and Accounting Service Indianapolis Center, Indianapolis, IN

Defense Accounting Office, St. Louis, MO

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## **Appendix C. Report Distribution**

### **Office of the Secretary of Defense**

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Assistant to the Secretary of Defense (Public Affairs)  
Director, Defense Logistics Studies Information Exchange

### **Department of the Army**

Assistant Secretary of the Army (Financial Management and Comptroller)  
Auditor General, Department of the Army

### **Department of the Navy**

Assistant Secretary of the Navy (Financial Management and Comptroller)  
Auditor General, Department of the Navy

### **Department of the Air Force**

Assistant Secretary of the Air Force (Financial Management and Comptroller)  
Auditor General, Department of the Air Force

### **Other Defense Organizations**

Director, Defense Contract Audit Agency  
Director, Defense Finance and Accounting Service  
Director, Defense Logistics Agency  
Director, National Security Agency  
Inspector General, National Security Agency  
Inspector General, Defense Intelligence Agency

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Senate Subcommittee on Defense, Committee on Appropriations  
Senate Committee on Armed Services  
Senate Committee on Governmental Affairs  
House Committee on Appropriations  
House Subcommittee on National Security, Committee on Appropriations  
House Committee on Government Reform and Oversight  
House Subcommittee on National Security, International Affairs, and Criminal  
Justice, Committee on Government Reform and Oversight  
House Committee on National Security

## **Part III - Management Comments**

# Defense Finance and Accounting Service Comments



DEFENSE FINANCE AND ACCOUNTING SERVICE  
1931 JEFFERSON DAVIS HIGHWAY  
ARLINGTON, VA 22240-5291

NOV - 1 1996

DFAS-HQ/AFB

MEMORANDUM FOR DIRECTOR, READINESS AND OPERATIONAL SUPPORT,  
OFFICE OF THE INSPECTOR GENERAL, DEPARTMENT OF  
DEFENSE

SUBJECT: Audit Report on the Consolidated Financial Report on  
the National Guard and Reserve Equipment Appropriation  
for the Army Reserve (Project No. 6RE-2016.00)

DFAS has reviewed the draft audit report findings and  
recommendations. Attached is our response to the  
recommendations.

If you have any questions, my point of contact on this audit  
is Mr. Thomas Tresslar, (703) 607-1120.

A handwritten signature in dark ink, appearing to read "Tom McCarty".

Thomas F. McCarty  
Deputy Director for  
Accounting

Attachment

CC:  
DFAS-HQ/PA  
DFAS-IN/AHFC



DEFENSE FINANCE AND ACCOUNTING SERVICE RESPONSE TO THE  
CONSOLIDATED FINANCIAL REPORT ON THE NATIONAL GUARD AND  
RESERVE EQUIPMENT APPROPRIATION FOR THE ARMY RESERVE  
(PROJECT NO. 6RE-2016.00)

**RECOMMENDATION 1.** Include all valid limitation codes for the Army Reserve in the extraction program for the National Guard and Reserve Equipment Appropriation.

**DFAS RESPONSE.** Concur. Trial balance submissions citing Army designated limitation codes of 3201 or 0132 for the National Guard and Reserve Equipment Appropriation will be extracted for use in preparation of the FY 1996 Chief Financial Officers (CFO) financial statements.

Estimated Completion Date: November 1996

**RECOMMENDATION 2.** Establish management controls to verify the completeness of financial information extracted from the general ledger data base.

**DFAS RESPONSE.** Concur. The extraction program will be verified against the fund edit table to ensure all appropriate limitations are included in the CFO financial statements. This verification will be conducted annually in November prior to generating the CFO database.

Estimated Completion Date: November 1996

**RECOMMENDATION 3.** Adjust the appropriated capital account on the FY 1996 trial balance for the Army Reserve National Guard and Reserve Equipment Appropriation by \$70.1 million.

**DFAS RESPONSE.** Partially Concur. The reconciliation of the fund edit table to the extraction program will ensure the inclusion of the \$70.1 million in the FY 1996 CFO financial statements. Inclusion of all reported expenses will adjust the appropriated capital account by \$70.1 million since the normal departmental adjustment involves adjusting General Ledger Account "5700" (Appropriated Capital Used) by the value of reported expenses.

Estimated Completion Date: November 1996

## **Audit Team Members**

This report was prepared by the Readiness and Operational Support Directorate, Office of the Assistant Inspector General for Auditing, DoD.

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